

Office of Inspector General

September 24, 1999

Mr. William R. Sheridan, Jr.  
Managing Partner  
Sheridan & Company  
30 Monument Square  
Concord, MA 07142

Re: Final Report on Quality Control Review of Sheridan & Company  
Audit of The Institute for Global Environmental Strategies, Inc., for  
Fiscal Years Ended June 30, 1997, and June 30, 1998 Redacted Report\*  
Assignment No. A9903900  
Report No. IG-99-050

Dear Mr. Sheridan:

The subject final report is provided for your use. Please refer to the Executive Summary for the overall quality control review results. Our evaluation of your corrective action is incorporated into the body of the report. Sheridan & Company's corrective actions on the finding were responsive and are sufficient to close the recommendations for reporting purposes.

If you have questions concerning the report, please contact Mr. Patrick A. Iler, Director, Audit Quality, at (216) 433-5408, or Ms. Vera Garrant, A-133 Audit Manager, at (202) 358-2596. We appreciate the courtesies extended to the audit staff. The final report distribution is in Appendix D.

Sincerely,

**[original signed by]**

Russell A. Rau  
Assistant Inspector General for Auditing

Enclosure

cc:

Code B/Chief Financial Officer

Code B/Comptroller

Code BF/Director, Financial Management Division

Code G/General Counsel

Code JM/Director, Management Assessment Division

**QUALITY  
CONTROL  
REVIEW  
REPORT**

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**SHERIDAN & COMPANY AUDIT OF  
THE INSTITUTE FOR GLOBAL  
ENVIRONMENTAL STRATEGIES , INC.,  
FOR FISCAL YEARS ENDED JUNE 30, 1997,  
AND JUNE 30, 1998**

**SEPTEMBER 24, 1999**

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National Aeronautics and  
Space Administration

**OFFICE OF INSPECTOR GENERAL**

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## **Acronyms**

AICPA	American Institute of Certified Public Accountants
GAAP	Generally Accepted Accounting Principles
IGES	The Institute for Global Environmental Strategies, Inc.
NASA	National Aeronautics and Space Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
SOP	Statement of Position

## ***Contents***

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**Executive Summary, i**

**Introduction, 1**

**Finding and Recommendations, 2**

    Use of Current Reporting Guidance, 2

**Appendix A – Single Audit Requirements, 6**

**Appendix B – Objectives and Scope, 9**

**Appendix C – Quality Control Review Methodology, 11**

**Appendix D – Report Distribution, 13**

## NASA Office of Inspector General

IG-99-050  
A9903900

September 24, 1999

### **Sheridan & Company Audit of The Institute for Global Environmental Strategies, Inc., for Fiscal Years Ended June 30, 1997, and June 30, 1998**

#### **Executive Summary**

**Introduction.** The Institute for Global Environmental Strategies, Inc. (IGES), Arlington, Virginia, is a non-profit research corporation. The Concord, Massachusetts, office of Sheridan & Company performed the audits of the IGES organization for the fiscal years ended June 30, 1997, and June 30, 1998. The audit is required by Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" (for details, see Appendix A). The National Aeronautics and Space Administration (NASA) is the Federal agency for oversight for IGES, and the NASA Office of Inspector General (OIG) performed a review of the Sheridan & Company audits of IGES for the fiscal years ended June 30, 1997, and June 30, 1998. The table shows the NASA and total direct expenditures reported by IGES.

#### **Fiscal Year Expenditures for IGES**

	1997	1998
NASA Expenditures	\$302,800	\$565,606
Total Direct Expenditures	\$316,506	\$565,606

**Objectives.** The objective of a report review is to determine whether the report submitted<sup>1</sup> by the auditee meets the applicable reporting standards in the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 98-3, "Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards," and the OMB Circular A-133 reporting requirements (see Appendix B for the details on the standards and reporting requirements).

The objectives of our quality control review were to determine whether the audit was conducted in accordance with applicable standards and whether the audit meets the auditing and reporting requirements of OMB Circular A-133. See Appendix C for details on our quality control review methodology.

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\*We have redacted portions of this report due to references to process information. The redacted passages do not affect the validity of this report or management's response.

<sup>1</sup>OMB Circular A-133 requires the Federal award recipient to submit the OMB Circular A-133 audit report to the Department of Commerce, Federal Audit Clearinghouse.

**Results of Review.** We reviewed the Sheridan & Company audit results, audit report format, and related working papers.

- **Reported A-133 Results.** On September 16, 1997, Sheridan & Company issued the audit report for the IGES fiscal year ended June 30, 1997, and on August 27, 1998, issued the audit report for the fiscal year ended June 30, 1998. The auditors identified no findings and questioned no costs. Sheridan & Company issued an unqualified opinion on the financial statements, Schedule of Federal Awards,<sup>2</sup> and major program compliance. The auditors also found no instances of noncompliance in the financial statement audit that must be reported under generally accepted government auditing standards. Finally, the auditors identified no material weaknesses related to internal controls for the financial statement or major programs.
- **Report Quality Review Results.** The Sheridan & Company audit reports do not meet the applicable reporting guidance and regulatory requirements of OMB Circular A-133. The audit reports omit the auditor's Schedule of Findings and Questioned Costs (a major component of the report) and contain language from an AICPA audit guide that the AICPA no longer considers to be generally accepted.

\*\*Deliberative process information omitted.\*\*

First, the audit firm omitted the Schedule of Findings and Questioned Costs that is required by OMB Circular A-133 §\_\_\_\_.505(d) from both years' audit reports. Second, the reports are based on an audit guide that is no longer generally accepted. \*\*Deliberative process information omitted.\*\*

- **Audit Quality Review Results.** The Sheridan & Company audit work meets the applicable auditing guidance and requirements contained in: (1) OMB Circular A-133 and its related Compliance Supplement, (2) generally accepted government auditing standards, and (3) generally accepted auditing standards.

**Recommendation.** We recommend that Sheridan & Company prepare the audit reports and Schedules in accordance with the reporting requirements of OMB Circular A-133 and the AICPA SOP 98-3, "Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards."

**Management's Response.** On September 13, 1999, Sheridan & Company issued revised audit reports for the IGES fiscal years ended June 30, 1997, and June 30, 1998.

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<sup>2</sup>Rather than referring to the Schedule of Expenditures of Federal Awards, the audit report references "Schedule of Federal Awards," which is the title prescribed in the original OMB Circular A-133, issued March 8, 1990. Hereafter, except in citations from the revised OMB Circular A-133, June 24, 1997, we will refer to this Schedule as the "Schedule of Federal Awards."

**Evaluation of Management's Response.** We evaluated the revised reports and determined that they meet the reporting requirements of OMB Circular A-133 and AICPA SOP 98-3. We consider Sheridan & Company's prompt issuance of the revised reports responsive to the recommendation. Therefore, no further response to this report or corrective action is required.



## **Introduction**

The Single Audit Act Amendments of 1996 (Public Law 104-156) and the June 24, 1997, revision to OMB Circular A-133, require that IGES obtain an audit of its fiscal years 1997 and 1998 expenditures. The audit must be performed by independent auditors and in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133 and its related Compliance Supplement, and the generally accepted government auditing standards (GAGAS) that are applicable to financial audits.

A complete reporting submission in accordance with OMB Circular A-133 includes the following: (1) financial statements and related opinion; (2) Schedule of Expenditures of Federal Awards and related opinion; (3) report on the internal controls and compliance review of the financial statements; (4) report on internal controls reviewed and compliance opinion on major programs; and a (5) Schedule of Findings and Questioned Costs.

Refer to Appendix A for additional details on the Single Audit requirements.

## **Finding and Recommendations**

### **Use of Current Reporting Guidance**

Sheridan & Company prepared audit reports and Schedules for the IGES fiscal years ended June 30, 1997, and June 30, 1998, that do not meet the reporting requirements of the revised OMB Circular A-133, dated June 24, 1997, and the AICPA SOP 98-3, dated March 17, 1998. This occurred because Sheridan & Company prepared the reports based on superseded reporting guidance. As a result, Federal agencies and other report users cannot rely on the audit reports of IGES.

### **Required Reports**

The revised OMB Circular A-133 is applicable to audits of fiscal years beginning after June 30, 1996. Sections \_\_\_\_505(a) through (d) of the revised Circular A-133 and section 10.3 of AICPA SOP 98-3 require auditors to report:

- an opinion on the Schedule of Expenditures of Federal Awards;
- on internal controls related to the financial statements and major programs;
- on compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on the financial statements;
- an opinion or disclaimer of opinion as to whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each major program; and
- a Schedule of Findings and Questioned Costs.

SOP 98-3 contains exhibits of sample audit reports designed to meet the above reporting requirements. AICPA members are required to justify departures from using the guidance in the SOP.

### **Report Preparation**

Sheridan & Company did not prepare the correct audit reports for the IGES fiscal years ended June 30, 1997, and 1998. Both years' reports are formatted in accordance with the superseded AICPA SOP 92-9, "Audits of Not-for-Profit Organizations Receiving Federal Awards," dated December 18, 1995, which is based on the requirements from the original OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations," dated March 9, 1990, rather than on requirements in the revised Circular. Also, the auditor did not prepare the Schedule of Findings and Questioned Costs as required by the revised Circular §\_\_\_\_505(d).

Although the revised Circular was issued on June 24, 1997, the AICPA SOP 98-3 was not available until March 1998. Sheridan & Company used the reporting format from the prior SOP for the IGES 1997 audit report<sup>3</sup> because the AICPA had not yet issued guidance related to the revised OMB Circular A-133. The 1998 audit report is in the wrong reporting format because the audit firm did not review the revised AICPA audit guide for changes to the audit report format.

## **Changes to Reporting Requirements**

Sheridan & Company prepared reports on compliance and on internal controls related to the financial statements and Federal awards that do not meet the OMB Circular A-133 reporting requirements and misrepresent the audit work.

- **Reports on Compliance.** For the fiscal years 1997 and 1998 reports on compliance with specific and general requirements related to Federal awards, Sheridan & Company state that the audit was performed in accordance with the provisions of the original OMB Circular A-133 and its related Compliance Supplement. However, Sheridan & Company, in fact, conducted the audits in accordance with the revised Circular A-133 and its related Compliance Supplement. The original Compliance Supplement identified the general and specific Federal award requirements. As required by the original Circular, Sheridan & Company reported on these requirements and gave an opinion on compliance with the specific requirements. Whereas the revised Compliance Supplement identifies 14 compliance requirements for all Federal government programs. The Supplement identifies which of the 14 requirements apply to the Federal programs that are specified in the Supplement (see Appendix A for details on the 14 requirements). The revised Circular A-133 requires the auditor to express an opinion on compliance with the requirements that have a direct and material effect on the major program audited.
- **Reports on Internal Control.** Internal control reports issued under the original Circular A-133 are required to address the significant categories of controls used to administer Federal programs. Internal control reports issued under the revised Circular A-133 are required to address the auditor's consideration of the internal controls related to the applicable compliance requirements for each major program. The auditor must consider the compliance requirements that have a direct and material effect on a major program to determine the audit procedures necessary for the auditor to express an opinion on compliance and to report on internal controls over compliance.

Refer to Appendix C for additional details on the Sheridan & Company audit reports.

## **Schedule of Findings and Questioned Costs**

The auditor did not prepare a Schedule of Findings and Questioned Costs. In general, the Schedule includes the following three components: a summary of the auditor's results, findings

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<sup>3</sup>The fiscal year ended June 30, 1997, audit report on IGES is dated September 16, 1997.

relating to the financial statements, and findings and questioned costs for Federal awards. Although Sheridan & Company did not identify any findings or questioned costs, it should have prepared the Schedule to include the following information on the audit results:

- The type of report the auditor issued on the financial statements and on compliance for major programs of the auditee (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion).
- Where applicable, a statement that reportable conditions in internal control over major programs and the financial statements were disclosed by the audit and whether any such conditions were material weaknesses.
- An identification of major programs.
- The dollar threshold used to distinguish between Type A<sup>4</sup> and Type B<sup>5</sup> programs.
- A statement as to whether the auditee qualified as a low-risk auditee.<sup>6</sup>
- A statement as to whether the audit disclosed any noncompliance that is material to the financial statements of the auditee.
- A statement as to whether the audit disclosed any audit findings related to major programs that the auditor is required to report.

## **Conclusion**

Sheridan & Company issued reports that contain information based on superseded OMB Circular A-133 requirements and AICPA reporting guidance. Therefore, Federal agencies and other users of the audit reports cannot rely on the reports.

In addition, the audit reports do not include the Schedule of Findings and Questioned Costs (a major required component of the report), which should identify the audit findings and questioned

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<sup>4</sup>Federal programs are defined as Type A programs when an auditee's total Federal awards expended during the audit period exceed the greater of:

- \$300,000 or .03 of total Federal awards, for which total expended Federal awards equal or exceed \$300,000 but are less than or equal to \$100 million.
- \$3 million or .003 of total Federal awards, for which total expended Federal awards exceed \$100 million but are less than or equal to \$10 billion.
- \$30 million or .0015 of total Federal awards, for which total expended Federal awards exceed \$10 billion.

<sup>5</sup>A Type B program is a Federal program that is not defined as a Type A program.

<sup>6</sup>A low-risk auditee is defined in OMB Circular A-133 §\_\_\_\_.530 as one who, for the past two years obtained a single audit; received unqualified opinions on its financial statements and Schedule of Expenditures of Federal Awards; had no material weaknesses related to internal controls; and no audit findings for programs identified as Type A.

costs and should summarize the audit results and other information that is not included in other parts of audit report (see Appendix C). Without the Schedule, the reader cannot determine, for example, the monetary threshold<sup>7</sup> for major programs and whether IGES qualifies as a low-risk auditee. Overall, Federal agencies and other report users cannot effectively use the reports in the current format.

## **Recommendation, Auditor's Response, and Evaluation of Auditor's Response**

**We recommend that Sheridan & Company prepare the following reports and statements for IGES' fiscal years ended June 30, 1997, and June 30, 1998, to meet the reporting requirements of the OMB Circular A-133 and the AICPA SOP 98-3:**

- **The Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements.**
- **The Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Circular A-133.**
- **The Schedule of Findings and Questioned Costs.**

**Sheridan & Company Response.** On September 13, 1999, Sheridan & Company issued revised audit reports for the IGES fiscal years ended June 30, 1997, and June 30, 1998.

**Evaluation of Sheridan & Company Response.** We evaluated the revised audit reports and determined that they meet the reporting requirements of OMB Circular A-133 and AICPA SOP 98-3. We consider Sheridan & Company's prompt issuance of the revised reports responsive to the recommendation. Therefore, no additional response or corrective action is required.

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<sup>7</sup>See the information in footnote 4 regarding Type A programs.

## **Appendix A. Single Audit Requirements**

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The Inspector General Act of 1978, as amended (Public Law 95-452), requires an agency's Inspector General to "take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General."

The Single Audit Act of 1984 (Public Law 98-502) was intended to improve the financial management of state and local governments, while OMB Circular A-133 was intended to improve financial management for nonprofit organizations. The Act and the Circular established uniform requirements for audits of Federal financial assistance, promoted efficient and effective use of audit resources, and helped to ensure that Federal departments and agencies rely on and use the audit work to the maximum extent practicable.

The Single Audit Act Amendments of 1996 (Public Law 104-156) incorporate the previously excluded nonprofit organizations. Including the nonprofit organizations strengthens the usefulness of the audits by establishing one uniform set of auditing and reporting requirements for all Federal award recipients that are required to obtain a single audit. Major changes to the Act include: (1) increasing the audit threshold from \$25,000 to \$300,000 with respect to Federal financial assistance programs before an audit is required; (2) selecting Federal programs for audit based on a risk assessment rather than the amount of funds involved; and (3) improving the contents and timeliness of single audits.

OMB issued the revised Circular A-133 on June 24, 1997, pursuant to the Single Audit Act Amendments of 1996. In general, the Circular requires that an auditee who expends \$300,000 or more annually in Federal awards, obtain an audit and issue a report of its Federal award expenditures in accordance with the generally accepted government auditing standards applicable to financial audits. The audit must be performed by auditors who meet the independent standards in generally accepted government auditing standards and in accordance with the auditing and reporting requirements of the Circular and its related Compliance Supplement. The audit report submission contains the:

- financial statements and related opinion,
- Schedule of Expenditures of Federal Awards and related opinion,
- report on the internal controls and compliance review of the financial statements,
- report on internal controls reviewed and compliance opinion on major programs, and
- Schedule of Findings and Questioned Costs.

The auditee must also submit a Data Collection Form to the Department of Commerce Clearinghouse. The form summarizes the significant information in the audit report for dissemination to the public through the Internet. Responsible officials from the audited entity and the audit organization sign the form certifying to the information presented.

The Compliance Supplement is based on the requirements of the Single Audit Act Amendments of 1996 and the final June 24, 1997, revision of OMB Circular A-133, which provide for the issuance of a compliance supplement to assist auditors in performing the required audits. The National State Auditors Association study states:

The Compliance Supplement provides an invaluable tool to both Federal agencies and auditors in setting forth the important provisions of Federal assistance programs. This tool allows Federal agencies to effectively communicate items which they believe are important to the successful management of the program and legislative intent . . . .

Compliance with the Supplement satisfies the requirements of OMB Circular A-133. The Supplement identifies Federal programs by Federal agency. The Supplement identifies existing, important, compliance requirements, which the Federal Government expects the auditors to consider as part of an audit required by the 1996 Amendments. Using the Supplement eliminates the need for the auditors to research the laws and regulations for each major program audit to determine the compliance requirements that are important to the Federal Government and that could have a direct and material effect on the major program. The Supplement is a more efficient and cost-effective approach to performing this research. It "... provides a source of information for auditors to understand the Federal program's objectives, procedures, and compliance requirements relevant to the audit as well as audit objectives and suggested audit procedures for determining compliance with the requirements."

For single audits, the Supplement replaces agency audit guides and other audit requirement documents for individual Federal programs and specifically states which of the following 14 compliance requirements are applicable to a major program that may be audited:

1. Activities Allowed or Unallowed
2. Allowable Costs/Cost Principles
3. Cash Management
4. Davis-Bacon Act
5. Eligibility
6. Equipment and Real Property Management
7. Matching, Level of Effort, Earmarking
8. Period of Availability of Federal Funds
9. Procurement and Suspension and Debarment
10. Program Income
11. Real Property Acquisition/Relocation Assistance
12. Reporting
13. Subrecipient Monitoring
14. Special Tests and Provisions

The Compliance Supplement assists the auditors in determining the audit scope for the Circular's internal control requirements. For each compliance requirement, the Supplement describes the objectives of internal control and certain characteristics that when present and operating

effectively, may ensure compliance with program requirements. The Supplement gives examples of the common characteristics for the 5 components of internal controls (control environment, risk assessment, control activities, information and communication, and monitoring) for the 14 compliance requirements.



## **Appendix B. Objectives and Scope**

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### **Audit Report Review**

The objective of an audit report review is to determine whether the report submitted by the auditee meets the applicable reporting standards and the OMB Circular A-133 reporting requirements. As a Federal funding agency for IGES, we performed a review of the IGES audit report for the fiscal year ended June 30, 1998. We reviewed the report for compliance with the requirements of the Single Audit Act, Single Audit Act Amendments of 1996, and OMB Circular A-133. We focused our review on the report's qualitative aspects of: (1) due professional care; (2) auditor's qualifications and independence; (3) financial statements, compliance, and internal control reporting; (4) Schedule of Expenditures of Federal Awards; and (5) Schedule of Findings and Questioned Costs.

### **Quality Control Review**

The objectives of a quality control review are to ensure that an audit was conducted in accordance with generally accepted government auditing standards<sup>8</sup> and generally accepted auditing standards and whether the audit meets the auditing and reporting requirements of OMB Circular A-133. As a Federal funding agency for IGES, we conducted a quality control review of the Sheridan & Company audit working papers. We focused the review on the audit's qualitative aspects of:

- auditor's qualifications,
- independence,
- due professional care,
- quality control,
- planning and supervision,
- Federal receivables and payables,
- major program determination,
- internal controls and compliance testing for major programs,
- Schedule of Expenditures of Federal Awards,
- Schedule of Findings and Questioned Costs, and
- Data Collection Form.

We organized our review by the general and field work audit standards and the required elements of a single audit. We emphasized the areas of major concern to the Federal Government such as determining and auditing major program compliance and internal controls. We conducted the review August 30 through September 1, 1999, at the Concord, Massachusetts, office of Sheridan & Company. The NASA Office of Inspector General has not previously performed a quality control review at other Sheridan & Company locations.

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<sup>8</sup>These standards are broad statements of the auditors' responsibilities, promulgated by the Comptroller General of the United States.

## **Appendix B**

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### **Peer Review Report**

We reviewed the April 28, 1997, report on the most recent peer review, which Gordon, Harrington & Osborn, P.C., performed of Sheridan & Company. Gordon, Harrington & Osborn, P.C., determined that Sheridan & Company met the objectives of the quality control review standards established by the AICPA and that Sheridan & Company complied with the standards during the fiscal year ended September 30, 1996.

## **Appendix C. Quality Control Review Methodology**

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The audit reports and schedules issued by Sheridan & Company for its audit of IGES for the fiscal years ended June 30, 1997, and June 30, 1998, are summarized below. The report titles are shown as they appear in the audit report on IGES. The auditors did not prepare the required Schedule of Findings and Questioned Costs. The Schedule should summarize the audit results and include information about and related to the audit that is not required to be identified in other parts of the audit report including: (1) major programs audited, (2) details on findings and questioned costs (including reportable conditions and material weaknesses), (3) dollar threshold to identify major programs, and (4) whether the recipient is considered to be low risk. Refer to the Finding for further details on these reports and schedules.

### **Independent Auditor's Report**

The auditors are required to determine whether the financial statements are presented fairly in all material respects in conformity with generally accepted auditing principles and are free of material misstatement. We reviewed the Sheridan & Company audit programs and the testing of evidence to determine whether testing was sufficient based on an assessment of control risk to warrant the conclusion reached. We also reviewed the Sheridan & Company working papers to determine whether they supported the conclusion.

### **Independent Auditor's Report on Schedule of Federal Awards**

The auditors are required to subject the Schedule of Expenditures of Federal Awards to the procedures applicable to the audit of the financial statements and to ensure that the amounts are fairly stated in relation to the basic financial statements. We reviewed the Sheridan & Company audit programs and the testing of evidence to determine whether testing was sufficient based on an assessment of control risk to warrant the conclusion reached. We also reviewed the Sheridan & Company working papers to determine whether they supported the conclusion.

### **Schedule of Federal Awards**

The recipient is responsible for creating the Schedule of Federal Awards. The auditors are required to audit the information in the Schedule to ensure it is fairly presented in all material respects in relation to the financial statements taken as a whole. We reviewed the Sheridan & Company audit programs for the appropriate procedures and traced some of the amounts to the Subsidiary Ledger and/or Trial Balance.

### **Report on the Internal Control Structure**

The auditors are required to obtain an understanding of internal controls that is sufficient to plan the audit and to assess control risk. We reviewed the Sheridan & Company audit programs for the appropriate procedures, the working paper documentation, and the compliance and substantive testing performed.

**Report on Compliance with Laws, Regulations, Contracts and Grants**

The auditors are required to determine whether the recipient has complied with laws and regulations that may have a direct and material effect in determining financial statement amounts. We reviewed the Sheridan & Company audit programs for the appropriate procedures, the working paper documentation, and the compliance and substantive testing performed.

**Report on the Internal Control Structure Used in Administering Federal Awards**

The auditors must perform procedures to obtain an understanding of internal controls over Federal programs that is sufficient to plan an audit to support a low-assessed level of control risk for major programs. The auditors must plan and perform internal controls testing over major programs to support a low level of control risk for the assertions relevant to the compliance requirements for each major program. We reviewed the Sheridan & Company audit programs for the appropriate procedures, the working paper documentation, and the test of controls performed.

**Auditor's Report on Compliance with Specific Requirements Applicable to Major Programs**

The auditors are required to determine whether the recipient has complied with laws, regulations, and the provisions of contracts and grant agreements that may have a direct and material effect on each of its major Federal programs. The auditors are required to use the procedures in the OMB Circular A-133 Compliance Supplement (May 1998 edition) to determine the compliance requirements for each major program. We reviewed the Sheridan & Company audit program for the appropriate procedures and compared the audit program steps to those in the Compliance Supplement to determine whether Sheridan & Company performed the applicable steps. We also reviewed the Sheridan & Company working paper documentation and its support and the compliance tests performed.

**Auditor's Report on Compliance with General Requirements**

Although the auditors are no longer required to issue this report under the revised Circular A-133, Sheridan & Company did include it in its audit report. The revised OMB Circular A-133 combined the general and specific requirements into the 14 compliance requirements. Refer to Appendix A for further discussions on the revised requirements. Refer to "Auditor's Report on Compliance with Specific Requirements Applicable to Major Programs" above for a discussion on the auditor's requirements related to compliance.

**Auditor's Report on Compliance with Specific Requirements Applicable to Non-major Program Transactions**

Although the auditors are no longer required to issue this report under the revised Circular A-133, Sheridan & Company did include it in its audit report.

## **Appendix D. Report Distribution**

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### **Auditee**

Mr. Frank Vandekerholve  
Assistant Treasury for Institute for Global Environmental Strategies, Inc.  
2111 Wilson Blvd.  
Arlington, VA 22201

### **National Aeronautics and Space Administration (NASA) Officials-in-Charge**

Code B/Chief Financial Officer  
Code B/Comptroller  
Code BF/Director, Financial Management Division  
Code G/General Counsel  
Code H/Associate Administrator for Procurement  
Code JM/Director, Management Assessment Division

### **NASA Field Installation**

Director, Goddard Space Flight Center

## **Major Contributors to the Report**

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